

Surrey Heath Borough Council
Executive
19 July 2022

Revenue Budget 2022/23
Monitoring Report – Quarter 1

Portfolio Holder:	Councillor Robin Perry - Finance
Date Portfolio Holder signed off:	1 July 2022
Strategic Director:	Bob Watson
Report Author:	Nilufa Begum
Key Decision:	no
Wards Affected:	All

Summary and purpose

To provide the Executive with a high-level view as to the budget and financial performance for the first quarter of 2022/23 – accounting period ending 30 June 2022.

Recommendation

The Executive is advised to RESOLVE that

- (i) the spend against the approved revenue budget for the period 1 April to 30 June 2022 and the end of year predicted forecast of full year outturn be noted;
- (ii) any comments and/or recommendations from the Performance and Finance Scrutiny Committee at their meeting held on Wednesday 13 July 2022 be noted; and
- (iii) the request for up to **£13,226** supplementary estimate (full year effect) to provide a recruitment incentive for the investment asset manager in the Investment and Development service be agreed; this will be offset by an increase in income and will therefore not impact the Council's overall balanced budget, nor require a drawdown from general fund balances.

1. Background and Supporting Information

- 1.1 This is the first quarterly monitoring report against the 2022/23 approved revenue budget as at the 30 June 2022 (end of Quarter 1).

1.2 At the end of the first quarter the Council's services are reporting **on-budget spend position of £15.071 million** in their forecasts of outturn for the end of the current financial year.

1.3 The high level summary by service is below:

<u>Service</u>	Full Year Budget	Profiled budget Q1	Actual at P1 - P3	Year-end Forecast	Forecast Variance
	£000	£000	£000	£000	£000
Chief Executive	236	59	22	236	0
Environment and Community	7,954	1989	1,079	7,954	0
Finance and Customer Services	1,891	473	1,488	1,891	0
HR, Planning & Communication	3,738	934	513	3,738	0
Investment and Development	-4,890	-1,222	-1,662	-4,890	0
Legal and Democratic Services	1,186	296	188	1,186	0
Planning	1,280	320	135	1,280	0
Net cost of services	11,395	2,849	1,764	11,395	0
Corporate Budget	3,676	919		3,676	0
Overall Position	15,071	3,768	1,764	15,071	0

1.4 Please note that the above table is presented in the new structure that was agreed in 2021. The new structure was used for the 2022/23 budget plan and the Medium Term Financial Strategy 2022/23-2025/26 set at Council on 23 February 2022.

1.5 In addition, the table includes corporate budget, which consists of the anticipated efficiencies from the star-chamber process, repayment of debt (MRP), capital charges and corporate inflation which needs to be allocated out.

1.6 Carry forward budget of **£283.5k** from 2021/22 has been included in the 2022/23 budgets.

1.7 The budget figures in the table represent the **working budget** for the year. This may vary from the budget set at Council due to in-year changes. These are reconciled below:

Budget set at February Council	£14,788m
<u>Agreed movements</u>	
Carry forward budgets from 2021/22 (<i>subject to agreement at July Executive</i>)	£0.283m
Working budget	£15,071m

1.8 Service commentaries. The services are predicting an outturn position as highlighted below, with explanations of major variances (over £25k)::

Chief Executive
Currently predicting outturn on budget – please note that there still some corporate management costs to be applied. £0

Environment and Community
Currently predicting outturn on budget £0

Finance and Customer Service
Currently predicting outturn on budget. Accountancy service presenting agency pressures, partially be offset by vacancies. £0

HR, Performance and Communications
Predicting an overspend due to the increase in the cost of licences for the Council’s file storage and sharing software. This is a cost pressure and is not as a result of demand for more licences, but a change in the unit price by the supplier following the expiry of the original contract. The Council’s ICT service has worked hard to bring this cost down and it is now as low as can be negotiated. The service has however agreed to report as on-budget above as it is planned to try and manage this in year, but this is an early indication of a potential pressure. £50k adverse

Investment and Development
Currently predicting outturn on budget £0

Legal and Democratic Services
Currently predicting outturn on budget. £0

Planning
Currently predicting outturn on budget. Development Management dealing with planning applications will have a pressure due to engagement of additional support to clear the current workload – however, this will be offset by PPA income which is due from the developers. £0

1.9 Supplementary Estimate. There is a vacant asset manager post within the Investment and Development service. There have been three unsuccessful recruitment attempts to date. As such it has been decided to offer the role out to recruitment again, but with recruitment incentives attached to the base salary. The cost of this will be up to **£13,226** which includes any on-costs. This supplementary estimate will be funded by additional income from the service, and as such will be cost-neutral to the Council’s net budgets. Executive will be asked to approve this supplementary estimate in accordance with the Council’s financial regulations.

1.10 Star Chamber process. Executive on 16 June 2022 received and reviewed a report on the Star Chamber review of services. At the meeting they agreed to

accept a number of the proposals in the report. These are summarised below:

Star Chamber agreed efficiencies (all figures in £ 000)

	2022/23	2023/24	2024/25	2025/26	Total
MTFS target	475	425	300	150	1,350
Star chamber	647.5	482.5	34	5	1,169

- 1.11 The budget adjustments from the agreed efficiencies will be made in the next quarter and reflecting in that period's monitoring report. Additionally the report will highlight any areas where the efficiencies are not on target to be delivered in year.

2. Reasons for Recommendation

- 2.1 It is imperative for strong financial management that the revenue budgets are reviewed regularly and reported on a quarterly basis to Performance and Finance Scrutiny Committee and the Executive.

3. Proposal and Alternative Options

- 3.1 The Executive is asked to note the report on the 22/23 Revenue Budget for the period 1 April to 30 June 2022 and also note any comments and/or recommendations to the Executive made by the Performance and Finance Scrutiny Committee for consideration at their meeting held on 13 July 2022.
- 3.2 Alternatively, the Committee may just note the report and make no further recommendations or comments.
- 3.3 The Executive is asked to agree the supplementary budget estimate outlined in paragraph 1.9 above. Alternatively they may choose not to agree this, and this may mean the post may not be recruited to successfully and may remain unfilled.

4. Contribution to the Council's Five Year Strategy

- 4.1 The budgets agreed at Council are aligned to and support the approved five-year strategy.

5. Resource Implications

- 5.1 The budget monitoring is related back to the original budgets set at Council in February 2021.

6. Section 151 Officer Comments:

- 6.1 Whilst the Council is predicting an overspend at year end, it is considered that no remedial action needs to be taken in terms of supplementary budget estimate requests at this point in time. If these budget pressures continue as the Council progresses through the financial year, then additional budget will be requested in accordance with the Council's Financial regulations.
- 6.2 The Star Chamber process has proved very successful in delivering on the budget reviews and has nearly achieved the MTFS target. This will be developed further during the next MTFS and budget plan to be presented to Council in February 2023.

7. Legal and Governance Issues

- 7.1 The revenue budget is monitored monthly and reported to CMT, Executive and Performance and Finance Scrutiny Committee quarterly.

8. Monitoring Officer Comments:

- 8.1 The Committee's terms of reference includes the function to monitor, review and to report to the Leader/ Executive in relation to the performance of the Council's services.

9. Other Considerations and Impacts

Environment and Climate Change

- 9.1 Details of these are in the individual service areas that the budgets support

Equalities and Human Rights

- 9.2 Details of these are in the individual service areas that the budgets support

Risk Management

- 9.3 Inadequate budget monitoring represents a reputational and financial risk to the Council.
- 9.4 Regular financial monitoring enables risks and budgetary pressures to be highlighted and addressed at an early stage so that mitigating actions can be taken.
- 9.5 There are currently inflation pressures developing nationally which will provide a challenge to future budgets. This will be considered in future reports and in the revision of the MTFS.

Community Engagement

9.6 Where necessary engagement will be taken through individual service areas the budgets support.